

Message Text

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ORIGIN AGR-08

INFO OCT-01 EUR-12 IO-10 ISO-00 EB-07 STR-04 COME-00

TRSE-00 CEA-01 CIAE-00 DODE-00 FRB-03 H-02 INR-07

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

TAR-01 USIA-06 PRS-01 SP-02 OMB-01 /100 R

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FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS

AMEMBASSY BONN

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E.O. 11652:N/A

TAGS: ECON, ETRD, US, EEC

SUBJECT: EC CIGARETTE EXCISE TAX HARMONIZATION

REF: BREMEN A-72

1. REFERENCE AIRGRAM REPORTING FRG PLAN TO MOVE TOWARD AD VALOREM TAX STRUCTURE APPEARS TO INDICATE SIGNIFICANT DEPARTURE FROM WHAT WE UNDERSTOOD TO BE W. GERMAN POSITION WITH REGARD TO EC TAX HARMONIZATION. MOREOVER, 40 AND 50 PERCENT AD VAL COMPONENTS CONTEMPLATED BY FRG APPARENTLY ARE EXCLUSIVE OF VAT WHICH FRG ALSO PLANS TO INCREASE IN JANUARY 1977 AND WHICH EXACERBATES MULTIPLIER EFFECT OF AD VAL TAX COMPONENT.

2. GERMAN CIGARETTE INDUSTRY AND INDUSTRIES IN ALL EC MEMBERS EXCEPT FRANCE AND ITALY ARE ON RECORD STRONGLY OPPOSING FURTHER REDUCTION IN 75 PERCENT SPECIFIC COMPONENT PERMITTED UNDER FIRST STAGE HARMONIZATION DIRECTIVE. WE UNDERSTOOD THAT THEIR GOVERNMENTS FULLY SUPPORTED THEIR POSITION WHICH IS COMPATIBLE WITH U.S. TOBACCO TRADE INTERESTS, AS IS THEIR CONSENSUS THAT VAT SHOULD BE INCLUDED AS PART OF THE AD VAL COMPONENT PROVIDED FOR IN SUBSEQUENT HARMONIZATION DIRECTIVES. MEMBERS' OPPOSITION TO FURTHER REDUCTION OF SPECIFIC COMPONENT HAS RESULTED IN TWO POSTPONEMENTS OF SECOND STAGE DIRECTIVE.

3. THE USG AND US TOBACCO INTERESTS WOULD REGARD AN EC TAX STRUCTURE CONTAINING AN AD VAL COMPONENT OF MORE THAN 25 PERCENT INCLUDING VAT AS ADVERSELY AFFECTING U.S. TOBACCO TRADE AND HAVE STRESSED THIS VIEW TO THE COMMISSION AND TO MEMBER GOVERNMENTS (AND INDUSTRIES) ON NUMEROUS OCCASIONS. THE COMMISSION HAS ASSURED THAT FINAL HARMONIZED EXCISE TAX STRUCTURE WOULD BE NEUTRAL, BALANCED AND REASONABLE FOR ALL INTERESTS, INCLUDING THE U.S.

4. ACTION REQUESTED: (A) DETERMINE IF THE PROPOSED LIMITED OFFICIAL USE

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CHANGE IN THE GERMAN TAX STRUCTURE INDICATES THE IMPLEMENTATION DATE AND SPECIFIC COMPONENT OF THE SECOND STAGE OF THE EC TAX HARMONIZATION SCHEME, I.E., JANUARY 1, 1977 AND 60 PERCENT.

(B) DETERMINE IF VAT IS TO BE ADDITIONAL TO AD VAL EXCISE TAX COMPONENT IN GERMAN TAX AND IN SECOND STAGE SCHEME.

(C) IF (A) AND (B) DO INDICATE IMPLEMENTATION DATE
AND STRUCTURE OF SECOND STAGE DETERMINE IF THIS MEANS
THAT INDUSTRY POSITIONS HAVE CHANGES WITH REGARD TO
FURTHER REDUCING THE SPECIFIC COMPONENT.

(D) FOR LONDON: PLEASE PROVIDE UPDATED REPORT OF VIEWS
OF HMG AND BRITISH INDUSTRY ON HARMONIZATION ISSUE. INGERSOLL

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To: EC BRUSSELS LONDON
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